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BK pins turnaround hopes on ads

New campaign, service programs anchor doldrum-busting strategy

By Rajan Chaudhry

MIAMI — Burger King has launched a new advertising campaign and several unit-level operations programs as part of a broad-based turnaround strategy designed to erase past mistakes and establish service as a competitive point of difference.

And while key executives at the industry's second largest restaurant chain are touting service and the new umbrella ad campaign as keystones of its comeback agenda, clearly new products will continue to play a big part.

Burger King is currently expanding its double cheeseburger line and exploring additional product introductions.

McDonald's pizza Rollout expected

story on Page 2

Burger King recently kicked off its new campaign, "Sometimes You've Gotta Break the Rules," with a flood of TV and radio spots. It is the first major team effort of New York agencies Saatchi & Saatchi Advertising and D'Arcy Masius Benton and Bowles, which have shared the chain's $215 million account since May.

In addition to the advertising onslaught, Burger King is adding several customer service initiatives including: a national toll-free 800 number that will handle customer inquiries 24 hours a day; a "mystery shopper" quality assurance program that scores employees on appearance and attitude and restaurants on cleanliness; new menu boards with color coded bars that

*(See **BK**, page 65)*

Hopeful franchisees eye new commercials

By Bill Carlino

MIAMI — After three years of watching highly touted advertising campaigns produce the feeble consumer impact of pet rocks or Nehru jackets, Burger King franchisees are gauging the chain's new creative slogan, "Sometimes You've Gotta Break the Rules," with guarded optimism.

Created by Burger King's dual agencies of D'Arcy, Masius, Benton & Bowles and Saatchi & Saatchi, the long-awaited radio and TV effort combines celebrity performers with a focus on customers rather than product.

Some licensees feel the radical departure from Burger King's past marketing strategies may be the long-awaited elixir for the chain's sales slump.

"I've seen the commercials, and I think that they're 100 percent better than anything N.W. Ayer or J. Walter Thompson ever put out,"

*(See **FRANCHISEES**, page 65)*

Hurricane batters Carolina restaurants

Rattled operators scrambling to recover

By Jack Hayes

CHARLESTON, S.C. — The city that weathered the cannon blasts of the British in the Revolutionary War — becoming a model of quaint East Coast hospitality and top seafood dining — is still shell-shocked from its nightmarish pounding by a cruel adversary called Hurricane Hugo.

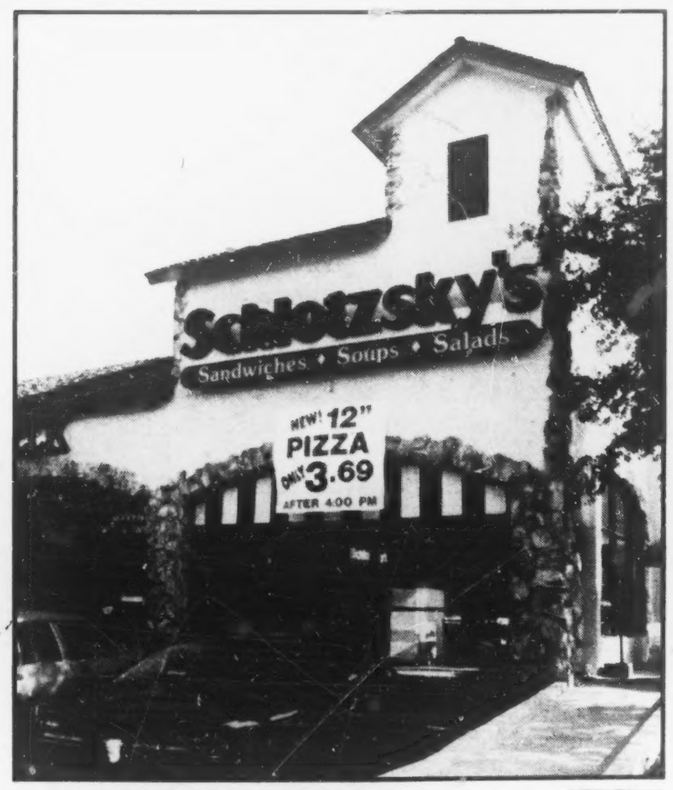
As Charleston's stricken restaurateurs and hoteliers pulled themselves out of the rubble left by the fierce storm — waiting without power and under the restriction of curfews in some cases for more than a week — many of them were afraid to ask where they would find the customers to keep operating.

"We get more pessimistic as we go along," said Walter Anhalt, director of the Charleston campus of Johnson & Wales University — many of whose students and faculty are employed in local restaurants. "The hospitality industry here has been knocked flat on its you-know-what."

Meanwhile, hotels within a 100-mile radius of the city — as far south as Savannah, for example — were sold out to the last room, while those even partly open in Charleston were boasting total occupancy at presstime.

"Our Savannah property is at 100 percent," reported Shira Miller, of the Days Inns Management Co., which has three of four Charleston units

*(See **HUGO**, page 4)*



NRN Photo

A Schlotzsky's unit advertises its pizza.

Schlotzsky's rolls out pizza

By Tracey Taylor Woodard

AUSTIN, Texas — Schlotzsky's sandwich chain has launched an extremely low-priced pizza in an effort to juice up traditionally slow dinner sales.

The pizza will cost just $3.89 — almost half of what the nearest competitor of the 250-unit chain charges.

Available after 4 p.m. in all 24 company-owned stores, the 12-inch pie comes in four varieties — cheese, pepperoni, sausage and deluxe — for one price ($3.89).

"The oven was warm, the [employees] were here and the lights were on," said Schlotzsky's chairman, Thomas C. Thompson. "We needed something to draw people in. Pizza can do this."

Schlotzky's is just the latest operator hoping

*(See **SCHLOTZSKY's**, page 65)*

FOOD WATCH

Syrup is hot *at IHOP*

Warming to the advantages of value-added breakfast enhancements, a growing number of International House of Pancakes franchisees are serving heated syrups with their pancakes, french toast and waffles.

"My customers love it," said Herb Hedenberg, whose IHOP branch in Glendale, Calif., uses a coffee urn and insulated carafes to deliver the hot-syrup option. Servers' suggestive buttons do the merchandising.

In Seattle, Steve Terpstra's servers offer hot pecan and maple syrups when he takes breakfast orders; 99 percent of his guests accept. "It makes the customer feel special," Terpstra noted.

All the maple syrup served by Chicago franchisee Mark Schiltz is heated in the soup well during breakfast hours and in the microwave the rest of the day. "It not only makes the syrup taste better; it also enhances the taste of whatever you are putting it on," he said.

— Richard Martin

CHARLES BERNSTEIN ON THE EXTENSIONS TRAP: ONE NICHE PREVAILS — Page F3

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NEWS DIGEST

House votes down Section 89 law

WASHINGTON — In a break for restaurateurs, the House of Representatives has voted to repeal Section 89, a controversial tax regulation that requires employers to prove with reams of paperwork that they do not discriminate when doling out benefits.

However, a movement is afoot in the Senate to replace the provision with an alternative that would also handcuff operators when implementing health programs. The so-called Bentsen alternative, named after Sen. Lloyd Bentsen, would require restaurateurs to match an executive-oriented benefit program with a similar offering for lower-echelon employees.

Section 89 was included in the Tax Reform Act of 1986 but did not go into effect until this year. The provision drew a fierce outcry from restaurateurs and other small-business operators, prompting Congress to deny funds for enforcement until the measure could be modified or repealed.

Wendy's bails out 51-unit licensee

RENTON, Wash. — In its latest resuscitation of an ailing franchisee, Wendy's International has acquired 51-unit Wendco Northwest L.P. here for an undisclosed amount of cash and stock.

The troubled franchise partnership bought the outlets from Wendy's in 1985 for $23.5 million and had since reported stagnant sales and multimillion-dollar annual losses. The group's liabilities reportedly exceeded its assets by about $9.2 million as of last December.

Although partners in the group suffered major losses on their original investments, Wendy's bought them out with a choice of cash or new Wendco Ltd. stock with assured repurchase value and dividends. Wendco's units are in Portland, Ore., and around Puget Sound, Wash.

Curt Carlson hands reins to son-in-law

MINNEAPOLIS — Curt Carlson, a Swedish immigrant who parlayed a small trading stamp business into Carlson Cos., the $5 billion-a-year hotel and restaurant empire, has stepped down as chief executive.

Carlson, 75, transferred the chief executive's reins to son-in-law and president Edwin "Skip" Gage, 47. The move gives Gage day-to-day control for TGI Friday's, Country Kitchen and Radisson Hotels.

However, Carlson will remain chairman of the TGI Friday's, Radisson Hotels and the company's 900 "Ask Mr. Foster" travel agencies.

In 1938 Carlson secured a $50 loan and began selling trading stamps to grocery stores. In 1960 he bought his first hotel, the Radisson in downtown Minneapolis.

Perry, promoted at Carl's, may head up company

ANAHEIM, Calif. — Carl Karcher Enterprises, parent of the 500-unit Carl's Jr. fast-food chain, has promoted Raymond J. Perry to executive vice president in charge of day-to-day operations and management.

His new role, a step up from group operations vice president, puts him in line to head the company, according to president and chief operating officer Donald Karcher, 62, the brother of chairman and chief executive Carl Karcher, 72. However, the brothers plan to remain active for the foreseeable future, the younger Karcher indicated.

Perry, 48, was president of Straw Hat Pizza and a veteran of Saga Corp. and Frisch's Restaurants before he joined Carl's Jr. in 1986 and revamped the chain's unit management and training systems. "His experience, spirit and strength in operations have been major factors in our sales growth," Donald Karcher said.

McDonald's pizza set to roll nationally

OAK BROOK, Ill. — McDonald's Corp. plans to roll out its 14-inch pizza product to its more than 8,000 U.S. stores, according to reports published in the Wall Street Journal.

A McDonald's spokesman would not confirm the reports but suggested the test — currently limited to 24 stores in Evansville, Ind., and Owensboro, Ky. — may be expanded to new markets.

The product is selling well, he said, but further improvements — such as changing to fresh dough from frozen — may be made as the test is widened.

Leslie Steppel, an analyst with Prudential-Bache Securities, said she expects a nationwide rollout of McDonald's current pizza product, but she noted that the introduction would take from one to three years.

Although the pizza ovens themselves — really five ovens stacked vertically — take up only about 3.5 square feet, modifications must be made to some units. In older stores, for example, wider drive-thru windows must be installed to accommodate the pizza boxes.

Copeland seeks cost cuts in switch to precut birds

JEFFERSON, La. — Al Copeland Enterprises is attempting to cut labor expenses at its newly acquired Church's fried-chicken chain by purchasing precut poultry instead of butchering whole birds in the restaurants.

The move will slash the company's payments for workmen's compensation and liability insurance, according to Copeland. The company also operates the Popeyes chain.

The switch was disclosed during a meeting of Church's shareholders, who were convened to approve the company's sale to Copeland for $392 million.

Roy Rogers follows McD with sandwich rollout

WASHINGTON — Marriott's Roy Rogers fast-food chain has followed McDonald's lead by rolling out a new sandwich made with a deep-fried chicken patty.

In an attempt to differentiate the item from the multitude of competitive products already on the market, Roy Rogers has dubbed its offering the Big Chicken Sandwich. A supporting advertising campaign focuses on the sandwich's size.

The Big Chicken Sandwich was being offered at an introductory price of $1.99.

Arizona associations join forces for show

PHOENIX, Ariz. — The State of Arizona Restaurant Association and the Arizona Hotel & Motel Association will join forces for the first time ever at the Arizona Restaurant and Lodging Show Oct. 17 and 18 here.

About 6,000 restaurateurs and hoteliers are expected to make the trip to the two-day show to experience 400 supplier booths, a golf tournament, National Restaurant Association seminars, and Techniques of Alcohol Management training, said ARA administrative director Penelope Miedaner.

Perkins adds 401K plan for hourly employees

MEMPHIS, Tenn. — Perkins Family Restaurants has launched a 401K retirement plan for hourly employees in a determined bid to recruit and retain non-salaried workers.

Employees can invest as much as 10 percent of their gross pay in the company's pension plan. Perkins matches 50 percent of the first 6 percent of a worker's contribution.

FINANCIAL NEWS

Skyline Chili shifts focus after third-quarter loss

By Carolyn Walkup

CINCINNATI — Skyline Chili's new president said he plans to "stop the bleeding and refocus all efforts" to avoid further losses, following the company's $233,000 third-quarter loss.

In the year-ago third period, the company netted $157,000.

President William Kagler blamed Skyline Chili's latest-quarter performance on restructuring costs associated with the closing of six unprofitable restaurants.

Annualized operating losses at those units, located in Cleveland, Toledo and Indianapolis, exceeded $195,000, he said.

Kagler noted general shortcomings in location, marketing, training and franchisee relationships. He discovered a need for improvement in those areas, he said, when he took over as president and chief executive officer last May, having succeeded Thomas Bell.

Before taking charge at Skyline Chili, Kagler was president of Kroger Co. and a Skyline Chili board member.

Despite the closings, for fiscal 1989 Kagler projects a 25-percent sales increase, to $18 million, which includes sales of frozen chili grocery products.

'We will focus the dollars in fewer, more profitable markets,' said Kagler.

"This fall we expect to come up with a better definition of the kinds of areas where we want to put stores instead of just responding to real estate brokers," Kagler said.

The Toledo closings mark a withdrawal from that market, but other Skyline units continue to operate in Indianapolis and Cleveland.

Newer company-owned stores in Dayton and Columbus, Ohio, are doing well, Kagler reported.

To date, 25 Skyline Chili restaurants are owned by the company and 52 are franchised.

Recently, the chain expanded its line of frozen groceries to 13 markets. Kagler, however, plans to scale back those markets to eight and promote the products more heavily. Discontinued markets will be those farthest from Cincinnati, he said.

By concentrating advertising and marketing efforts on markets where Skyline has both restaurants and frozen products, the company will "spread advertising costs over a bigger sales base," Kagler explained. "We will focus the dollars in fewer, more profitable markets."

Some of the savings Skyline will realize from budget cuts will be reallocated to other areas, particularly training and development.

The company has hired a new director of human resources, Leonard Ours, who formerly held a similar position with Wendy's in the Cincinnati area. He will be responsible for instituting new training procedures, Kagler said.

Skyline Chili
Cincinnati, Ohio
Founded: 1949
Number of units: 77
Average per-store sales: About $450,000
Per-person average: $3.75
Leadership: William Kagler, president and CEO
Ownership: Public with majority of shares owned by Lambrinides family

Other improvements include building a new commissary and warehouse in the Cincinnati area. "We have outgrown our present site," Kagler said. The current facility is 30 years old, he noted.

If Kagler succeeds in solving Skyline's problems, he said he expects to resume the chain's growth.

He also said he is pleased by the company's comparable-store sales increases, which are running from 5 percent to 10 percent more than last year's results.

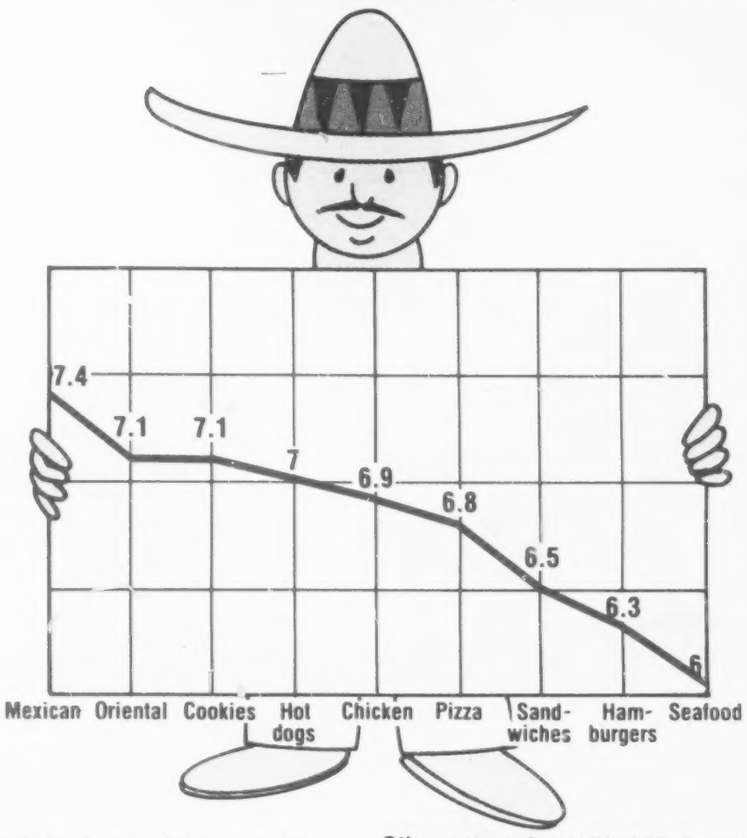
"We are encouraged by these real sales gains, but we still intend to promote aggressively," he said.

Several upcoming promotions will be tied to Skyline's 40th anniversary celebration this fall, he noted.

FACT FILE

A look at the statistics shaping the industry

MEXICAN FOOD ADDS SPICE TO MALL SALES
(percent of food court sales)



Source: CarlsonReport, Indianapolis, Ind.

Other categories tallied 38.9 percent.

NRN FINANCIAL DIGEST

Vicorp lifts net income 41%

DENVER — Vicorp Restaurants Inc. said a comparable-store sales hike of more than 8 percent helped squeeze a 41-percent increase in net income, to $2.6 million, from a 10-percent hike in revenue, to $85.4 million, for the third quarter ended Aug. 6.

During the latest quarter operating profits outstripped last year's third-quarter results by 15 percent, the company said.

For the August-ended nine months, net income advanced 67 percent, to $6.7 million, on an 11-percent rise in revenues, to $276.4 million.

Vicorp operates and franchises about 400 family-style restaurants under the Bakers Square and Village Inn banners.

TCBY's profits rise 46%

LITTLE ROCK, Ark. — TCBY Enterprises Inc. said an increase in the number of stores in operation more than offset a 1-percent decline in same-store sales to boost net income 46 percent, to $11.5 million, for the third quarter ended Aug. 31.

Sales and franchising revenue for the latest quarter increased 44 percent, to $47 million.

The company blamed record rainfall and tough comparisons for the quarter's comparable-store sales decline.

In the latest nine months, TCBY posted a 55-percent year-to-year increase in net income, to $23.3 million, on a 54-percent increase in revenues, to $112 million. And same-store sales advanced 6 percent, the company said.

TCBY, with about 1,500 units, is the largest franchisor and operator of soft-serve frozen-yogurt stores. In August it opened its first joint-venture unit with Marriott Corp. at Lambert Field International Airport in St. Louis.

Vie de France loses $3.2M for year

MCLEAN, Va. — Vie de France Corp. said asset write-downs, unit closings and terminations of franchise agreements contributed to losses of $1.1 million dollars for the fourth quarter and $3.2 million for the year ended June 24.

In last year's fourth quarter, the company lost $1.2 million, while its net income for the year was $405,923.

Sales for the quarter rose 17 percent, to $21.9 million, and 20 percent for the year, to $77.6 million.

The company — which operates restaurants and a wholesale bakery business and has begun development of a sous-vide production plant — also cited employee health insurance, workers' compensation costs and start-up costs associated with its sous-vide operation as reasons for its problems.

The company said that, as a result of the losses, it has restructured its restaurant operations to focus on improving operating performance and developing its franchise business.

FOOD PRICE OUTLOOK

A good look at winter-spring prices

In the **canned and frozen vegetable** arena, we are getting a clearer picture of what lies ahead for winter and spring supplies and prices. The outlook is neither all gloomy nor all bright. Some products will be in good supply, some in tight supply.

In good supply and with probably stable to lower prices are canned **tomatoes** and **tomato paste**. Canned **peas** will be in good supply for Extra Standard and mixed, tighter supplies of Fancy, especially smaller-sieve sizes. Canned **green beans** will be in good supply, with prices on Extra Standard down a bit. Canned **corn** is in fair to good supply, depending upon the area, and prices will probably remain about where they are now. Fancy may be tight in some areas.

Canned **asparagus** supplies are tighter, with prices moving up. Canned **mushrooms** are in adequate supply, but the cost of raw materials is pushing prices up. Canned asparagus prices are steady but are expected to rise on a smaller-than-normal supply.

Frozen **peas** appear to be in good supply. **Green beans** are also up from last year's quantity. **Corn** may not be as plentiful as had been hoped, particularly on-the-cob, but supplies will be far better than last year's, with prices firm. Frozen **broccoli** supplies look good, with both the California pack and Mexican imports up strongly from last year's figure.

Price increases seem to be in sight for frozen **lima beans,** both Fordhook and baby varieties. Expect the trend to move upward into spring. Frozen **cauliflower** supplies are tighter than had been anticipated, with prices firm and expected to go higher. Imports have been down. **Potato** supplies are fairly tight, and frozen **french fries** will probably be in short supply, especially in the top grade. Expect prices to move up.

— Patt Patterson

FOCUS | OPINION

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The extensions trap: One niche prevails

With operators merging or being acquired faster than the deals can be reported and with new menu items and spin-off concepts proliferating, the thought of focusing on one segment, one chain, or one niche seems lost in a maze.

The idea of being all things to all people has more appeal today than the quest to concentrate on a specialty. Yet the latter, if properly fulfilled, almost invariably produces profits and success in food service or any other business, while the former is too broad and leads to failure.

Editor's Corner

Charles Bernstein

Al Ries, the author and positioning expert who constantly reminds us to keep our eye on the ball and fights to stop us from jumping too far afield, offered some penetrating advice at Nation's Restaurant News' annual Multi-Unit Food Service Operators (MUFSO) Leadership conference in New Orleans last month.

Ries, the co-author of "Bottom-Up Marketing," astutely implied at MUFSO that straying from niches indicates a lack of discipline but also a "top-down" marketing-management approach, where ideas emanate only from the executive suite rather than from the front-line troops, who can better sense what is happening.

He derided "endless menu extensions," and he asserted that "the road to disaster is paved with all kinds of improvements." He again unveiled charts and made personal observations, noting that while Burger King has eight different hamburgers, compared with five offered at McDonald's, "does that mean Burger King outsells McDonald's eight to five or outsells them at all?"

Ries extended his thesis to postulate that McD would be averaging perhaps $1.7 million sales per unit instead of $1.5 million if it had stuck to its original eight-item menu "instead of rolling out constant line extensions, McChicken, McPizza and everything else. Just the hamburger and a few other items are plenty good enough."

Some of the operators attending MUFSO scoffed at Riese's assertions, calling them pie in the sky. Perhaps they are exaggerated, but they illustrate the crucial need for a constant focus and dramatize the idea that less is better than more.

Riese advocated never using the same name on line extensions and maintained that "it's better to be first with something new than to just try to keep getting better with the same concept."

His classic quote: "Diversification of anything is a short-term stimulant, but it's also a long-term depressant."

His simplest and best example: Domino's Pizza, hammering away at the one idea of home delivery while competitors try to combine sitdown, take-out and home delivery.

Herman Cain, Godfather's Pizza president, made an even stronger case for focus and niche marketing in his concluding MUFSO address. He recalled that when he took the helm a few years ago he found that the chain had been "trying to play someone else's game with endless line extensions. It simply had lost focus."

Expounding on his own version of bottom-up management, Cain said he listened carefully to his franchisees and middle-management operations people rather than to his top executives. "The message that came through," he observed, "was that we had been trying to outmuscle the larger competitors at their own game, on their battlefield."

Once Godfather's began to focus on its strengths and niches "where we could win," things turned around. "Diversity is for the big players who can afford mistakes. They can tolerate the bureaucracy that creeps into an organization when you are trying to be the biggest. Focus has now become such a part of Godfather's culture that it influences our decision-making about strategy, tactics, operations, marketing, organization and standards."

A perfect example of niche-marketing and focus-management is that of the Tampa, Fla.-based Shells 16-unit seafood chain. Shells does not try to compete with local seafood houses or Red Lobster or be all things to all people.

As described in Jack Hayes' Southeast Report column in Nation's Restaurant News Oct. 2, Shells president John Christen zeroes in on offering the best crabs with maximum value, serving only dinner, and catering only to cash customers. As an added touch, Shells, although located nowhere near a beach, emphasizes unique "coastal-beach" decor.

Discussing his company's longtime decision "never to sell out and never to franchise," Daniel Evans, Bob Evans Farms chairman, deplored "the unfriendly takeovers we are witnessing today" and declared that "we feel strongly about our ability to grow and guide the company in the right direction without outside interference."

The winners in the 1990s will not be chains that merely call themselves seafood houses, steak houses, pizza shops or coffee shops. They will not be those committed to endless menu-line extensions. And they will not be those that sell out to the highest bidder.

The winners will be those dedicated to a specific niche and focus, to excelling in their core products.

LETTERS

Jerrico chairman leaves an industry he adored

Editor, NRN:

Your Editor's Corner column was most flattering and sincerely appreciated. While you may have given me more credit than I am due, I still regard the article as an excellent commentary.

As I am about to leave the industry, I am remembering the good things, good times, and all of the good folks throughout this industry with whom I have been involved. It is with this spirit that I sincerely send you best personal regards.

— Warren W. Rosenthal
chairman
Jerrico Inc.
Lexington, Ky.

Restaurateurs: To comp or not to comp a meal?

Editor, NRN:

We in our company are continually having discussions on when someone should or shouldn't comp a meal. I am sure many restaurateurs have the same problem of knowing what kind of policy to establish in order to satisfy the customers and managers.

I was wondering if your readers could send in their policies on comping meals for customers. It would make interesting reading. It's just a thought for a problem that has been in this great industry since time began.

Again, thank you for your enlightening, educational, thought-provoking editorials.

— Robert E. Farrell
chairman
Newport Bay Restaurant and Seafood Broiler
Portland, Ore.

Reagan's cookie passion proves to be fun for all

Editor, NRN:

I just wanted to alert you to the delightful consequence of an article in "Nation's Restaurant News" that referred to President Reagan's passion for chocolate chip cookies. Your article initiated correspondence between Edward A. Pritchard, executive vice president of Doubletree Hotels, and President Reagan.

Since 1986 Doubletree has been distributing its freshly baked chocolate chip cookies as a welcome gift and complimentary late-night snack to guests across the nation. And, after reading the article in your publication, Pritchard wanted President and Nancy Reagan to experience the delicious Doubletree chocolate chip treat.

Thus, six tins of Doubletree cookies were delivered to President Reagan's office. Obviously, from the reply in his letter — "As for the cookies — well, Nancy and I found much pleasure in cleaning out the tins. Indeed, they satisfied our cravings!" — he liked them.

Do you think any of the secret service agents received any of the Doubletree cookies?

Thanks again for helping initiate an enjoyable correspondence.

— Julie L. Gumlia
senior associate
The Fontayne Group
Marina del Rey, Calif.

Nation's Restaurant News welcomes letters on timely topics. All letters may be edited for reasons of space or clarity. NRN cannot consider unsigned letters, but will withhold names on request. Letters should be addressed: Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.